

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	2010 Second Quarter Financial Report
DEPARTMENT:	Finance
PRESENTED BY:	Debbie Tarry, Finance Director

PROBLEM/ISSUE STATEMENT:

Attached is the 2010 second quarter financial report. This report summarizes the financial activities during the second quarter 2010 for all City funds with detailed information provided on the General Fund, Street Fund, Surface Water Utility Fund, General Capital Fund and Roads Capital Fund. It is provided to keep the Council informed of the financial issues and the financial position of the City.

FINANCIAL IMPACT:

The table on page 2 of the financial report provides a summary of the financial results for all City funds for the second quarter 2010.

RECOMMENDATION

No action is required by the Council. This item is provided for informational purposes.

Approved By: City Manager  City Attorney ____

ATTACHMENTS

Attachment A – 2010 Second Quarter Financial Report



2010 SECOND QUARTER FINANCIAL REPORT

August 2010

PERFORMANCE AT A GLANCE

	YEAR TO DATE TREND	COMPARED TO PROJECTIONS	REFERENCE
GENERAL FUND REVENUES			
Property Tax Revenue	▲ POSITIVE ▲	2.1%	Page 4
Sales Tax Revenue	● WARNING ●	-1.2%	Page 5, 6
Utility Tax Revenue	◀ NEUTRAL ▶	0.4%	Page 9
Development Revenue	▲ POSITIVE ▲	4.9%	Page 10
Gambling Tax Revenue	▲ POSITIVE ▲	9.7%	Page 11
Park and Recreation Revenue	◀ NEUTRAL ▶	1.4%	Page 12
Investment Income	▼ NEGATIVE ▼	-32.6%	Page 13
EXPENDITURES			
General Fund Expenditures		-0.85%	Page 14
NON-GENERAL FUND REVENUES			
Surface Water Fees	◀ NEUTRAL ▶	-0.20%	Page 15
Fuel Tax	◀ NEUTRAL ▶	1.8%	Page 17
Real Estate Excise Tax	▼ NEGATIVE ▼	-7.5%	Page 17

Key to revenue trend indicators:

- ◀ NEUTRAL ▶ = Variance of -1% to +2% compared to projections.
- ▲ POSITIVE ▲ = Positive variance of >+2% compared to projections.
- WARNING ● = Negative variance of -1% to -4% compared to projections.
- ▼ NEGATIVE ▼ = Negative variance of >-4% compared to projections.

CITY FINANCIAL OVERVIEW

EXECUTIVE SUMMARY

General Fund revenues of \$13,239,752 are \$158,909 or 1.2% above projected revenue. Sales tax, local criminal justice sales tax, and interest income revenue finished the first half below adjusted revenue. Property tax; utility tax and franchise fees; Seattle City Light contract payment; gambling tax revenue; permit revenue; recreation fees; fines and licenses; and miscellaneous revenues are all above adjusted projections. General Fund expenditures during the first quarter are \$256,946 or 2.0% below projected expenditures.

Street Fund revenues totaled \$1,186,133 and were \$5,799 or 0.5% above projected revenues. Fuel tax collections totaled \$558,745 which is \$9,733 or 1.8% above projections. Street Fund expenditures totaled \$1,092,499 which was \$54,945 or 4.8% below projections.

The Surface Water Utility Fund (SWM) revenue collections equaled \$1,647,312 and were \$1,583 or 0.1% above projections. Expenditures were \$1,635,288 or \$314,995 or 16.2% less than projected.

Real estate excise collections reflected in the General Capital and Roads Capital funds, totaled \$490,104 are \$39,668 or 7.5% below projections.

Revenues					
	2010 Budget	2010 2nd Quarter Projected	2010 2nd Quarter Actual	\$ Variance Actual v. Projected	% Variance Actual v. Projected
General Fund	\$31,449,462	\$13,080,843	\$13,239,752	\$158,909	1.2%
Street	\$2,515,181	\$1,180,334	\$1,186,133	\$5,799	0.5%
Code Abatement	\$100,000	\$1,550	\$2,322	\$772	49.8%
State Drug Enforcement Fund	\$16,500	\$8,250	\$14	-\$8,236	-99.8%
Public Arts	\$108,340	\$500	\$422	-\$78	-15.6%
Federal Drug Enforcement Fund	\$25,000	\$12,500	\$35	-\$12,465	-99.7%
Revenue Stabilization Fund	\$980,000	\$0	\$0	\$0	0.0%
Unltd Tax GO Bond	\$1,700,000	\$874,990	\$875,247	\$257	0.0%
Limited Tax GO Bond 2009	\$1,273,646	\$499,323	\$692,508	\$193,185	38.7%
General Capital Fund	\$8,644,081	\$468,046	\$396,487	-\$71,559	-15.3%
City Facility-Major Maint.	\$108,032	\$32,647	\$30,263	-\$2,384	-7.3%
Roads Capital Fund	\$42,683,901	\$4,864,882	\$4,378,322	-\$486,560	-10.0%
Surface Water Utility	\$5,902,528	\$1,645,729	\$1,647,312	\$1,583	0.1%
Vehicle Operations/Maint	\$167,967	\$143,360	\$143,604	\$244	0.2%
Equipment Replacement	\$346,677	\$111,310	\$94,323	-\$16,987	-15.3%
Unemployment Fund	\$30,000	\$10,250	\$10,077	-\$173	-1.7%
Totals	\$96,051,316	\$22,934,514	\$22,696,821	-\$237,693	-1.0%

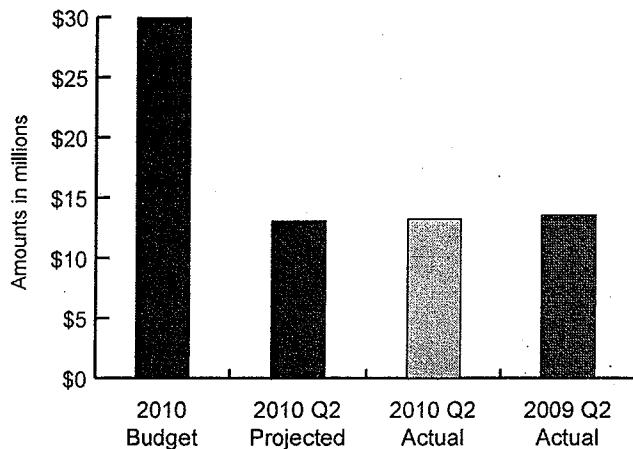
Expenditures					
	2010 Budget	2010 2nd Quarter Projected	2010 2nd Quarter Actual	\$ Variance Actual v. Projected	% Variance Actual v. Projected
General Fund	\$31,449,462	\$12,613,029	\$12,356,083	-\$256,946	-2.0%
Street	\$2,515,181	\$1,147,394	\$1,092,449	-\$54,945	-4.8%
Code Abatement	\$100,000	\$10,000	\$9,833	-\$167	-1.7%
State Drug Enforcement Fund	\$16,500	\$8,250	\$8,764	\$514	6.2%
Public Arts	\$108,340	\$54,170	\$29,887	-\$24,283	-44.8%
Federal Drug Enforcement Fund	\$25,000	\$12,500	\$6,605	-\$5,895	-47.2%
Revenue Stabilization Fund	\$980,000	\$490,000	\$490,000	\$0	0.0%
Unltd Tax GO Bond	\$1,681,850	\$318,425	\$320,729	\$2,304	0.7%
Limited Tax GO Bond 2009	\$1,273,646	\$636,823	\$616,759	-\$20,064	-3.2%
General Capital Fund	\$8,644,081	\$4,437,278	\$4,405,359	-\$31,919	-0.7%
City Facility-Major Maint.	\$104,000	\$30,000	\$23,525	-\$6,475	-21.6%
Roads Capital Fund	\$42,544,984	\$5,938,841	\$5,694,141	-\$244,700	-4.1%
Surface Water Utility	\$5,591,530	\$1,950,283	\$1,635,288	-\$314,995	-16.2%
Vehicle Operations/Maint	\$163,467	\$75,681	\$66,287	-\$9,394	-12.4%
Equipment Replacement	\$245,124	\$122,562	\$123,317	\$755	0.6%
Unemployment Fund	\$30,000	\$7,500	\$4,248	-\$3,252	-43.4%
Totals	\$95,784,164	\$27,852,735	\$26,883,274	-\$969,461	-3.5%

GENERAL FUND REVENUE DETAIL

Revenue Source	2010 Budget	2010 Projected Revenue	2010 2nd Quarter Projected	2010 2nd Quarter Actual	\$ Variance Actual v. Projected	% Variance Actual v. Projected	2009 2nd Quarter Actual
Budgeted Fund Balance	\$1,184,262	\$0	\$0	\$0	\$0	0.00%	\$0
Property Tax	\$7,462,945	\$7,462,945	\$3,841,178	\$3,921,039	\$79,861	2.08%	\$3,832,410
Sales Tax	\$6,196,236	\$6,017,287	\$2,395,482	\$2,367,205	-\$28,277	-1.18%	\$2,514,978
Local Criminal Justice	\$1,100,000	\$1,069,200	\$534,172	\$515,359	-\$18,813	-3.52%	\$533,505
Utility Tax & Franchise Fee Revenue							
Natural gas	\$850,530	\$850,530	\$517,675	\$466,797	-\$50,878	-9.83%	\$699,040
Garbage	\$475,000	\$475,000	\$114,000	\$124,168	\$10,168	8.92%	\$124,391
Cable TV	\$1,433,000	\$1,433,000	\$480,223	\$509,492	\$29,269	6.09%	\$487,854
Telecommunications	\$1,800,000	\$1,800,000	\$639,000	\$627,859	-\$11,141	-1.74%	\$640,030
Storm Drainage	\$191,000	\$191,000	\$100,504	\$101,261	\$757	0.75%	\$102,224
Water	\$635,000	\$635,000	\$145,733	\$174,458	\$28,726	19.71%	\$158,622
Sewer	\$716,880	\$716,880	\$356,970	\$358,500	\$1,530	0.43%	\$348,000
Utility Tax & Franchise Fee Revenue Subtotal	\$6,101,410	\$6,101,410	\$2,354,105	\$2,362,535	\$8,430	0.36%	\$2,560,161
SCL Contract Payment	\$1,500,000	\$1,500,000	\$581,475	\$630,875	\$49,400	8.50%	\$613,098
Gambling Tax Revenue	\$1,620,200	\$1,620,200	\$459,994	\$504,394	\$44,400	9.65%	\$553,107
Development Revenue	\$811,000	\$548,529	\$293,051	\$307,500	\$14,449	4.93%	\$406,810
Park Revenue	\$1,417,001	\$1,417,001	\$684,839	\$694,434	\$9,595	1.40%	\$663,559
Intergovernmental Revenue	\$1,210,133	\$1,210,133	\$454,519	\$455,454	\$935	0.21%	\$408,021
Grant Revenue	\$341,909	\$341,909	\$112,376	\$113,257	\$881	0.78%	\$53,422
Fines and Licenses	\$53,950	\$163,950	\$163,652	\$164,223	\$571	0.35%	\$44,906
Miscellaneous Revenue	\$341,842	\$381,842	\$194,683	\$207,579	\$12,896	6.62%	\$140,515
Interest Income	\$180,500	\$180,500	\$47,279	\$31,860	-\$15,419	-32.61%	\$27,284
Operating Transfers In	\$1,928,074	\$1,928,074	\$964,038	\$964,038	\$0	0.00%	\$1,182,851
Total General Fund Revenue	\$31,449,462	\$29,942,980	\$13,080,843	\$13,239,752	\$158,909	1.21%	\$13,534,627

GENERAL FUND REVENUE ANALYSIS:

TOTAL GENERAL FUND REVENUE

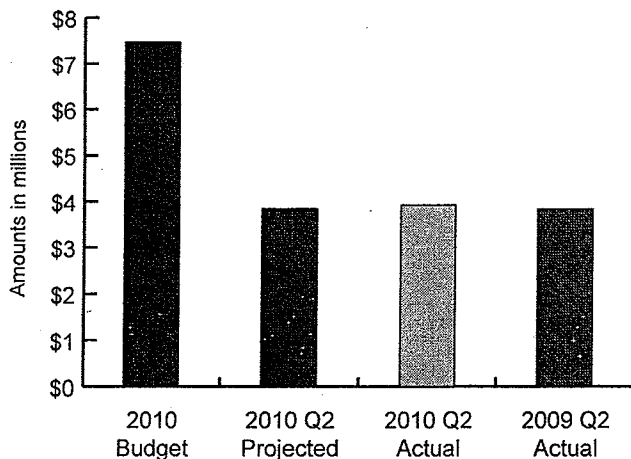


2010 Budget	\$31,449,462
2010 Projected	\$29,942,980
2010 2nd Quarter Projected	\$13,080,843
2010 2nd Quarter Actual	\$13,239,752
2nd Quarter \$ Variance	\$158,909
2nd Quarter % Variance	1.21%
2009 2nd Quarter Actual	\$13,534,627
% Change from 2009 2nd Quarter	1.1%

Due to current economic conditions changes have been made to the 2010 year-end general fund revenue projections: three revenue categories have been lowered and two have been increased. Projected revenue for 2010 is now \$29,942,980. This does not include \$1,184,262 of budgeted use of fund balance, since it reflects actual collectable revenue only. Actual revenues have been decreased by \$322,220 or 1.1%. Sales tax revenue has been decreased by \$178,949 or 2.9%; criminal justice sales tax revenue by \$30,800 or 2.8%; and permit revenue by \$262,471 or 32.4%. Miscellaneous revenue has been increased by \$40,000 or 12.4% and Fines and Licenses by \$110,000.

Second quarter 2010 actual general fund revenue of \$13,239,752 is just slightly above adjusted projected revenue by \$158,909 or 1.21%. Sales tax, local criminal justice sales tax, and interest income revenue finished the first half below adjusted revenue. Property tax, utility tax and franchise fees, Seattle City Light contract payment, gambling tax revenue, permit revenue, recreation fees, fines and licenses, and miscellaneous revenues are all above adjusted projections.

PROPERTY TAX

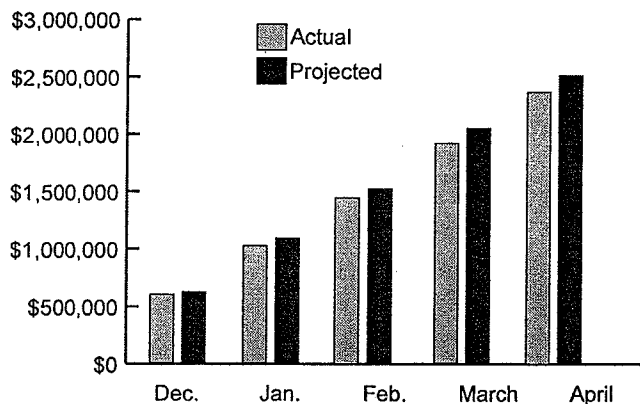


2010 Budget	\$7,462,945
2010 2nd Quarter Projected	\$3,841,178
2010 2nd Quarter Actual	\$3,921,039
2nd Quarter \$ Variance	\$79,861
2nd Quarter % Variance	2.08%
2009 2nd Quarter Actual	\$3,832,410
% Change from 2009 2nd Quarter	2.3%

Property tax collections of \$3,921,039 are ahead of projections by \$79,861 or 2.08%. During 2010, we have collected \$91,810 in delinquent property taxes which is \$15,122 more than we received during the same period in 2009. Despite the current positive revenue trend we still anticipate property tax revenue will equal budgeted revenue amounts.

GENERAL FUND REVENUE ANALYSIS (continued):

SALES TAX



2010 Budget \$6,196,236

Sales tax revenue:
December 2009 through April 2010

Sales Activity	Projected	Actual
December 2009	\$589,127	\$597,222
January 2010	\$448,581	\$424,943
February 2010	\$413,176	\$420,313
March 2010	\$497,747	\$474,810
April 2010	\$446,851	\$449,917
Year to date	\$2,395,482	\$2,367,205

\$ Variance (December-April) -\$28,277

% Variance (December-April) -1.18%

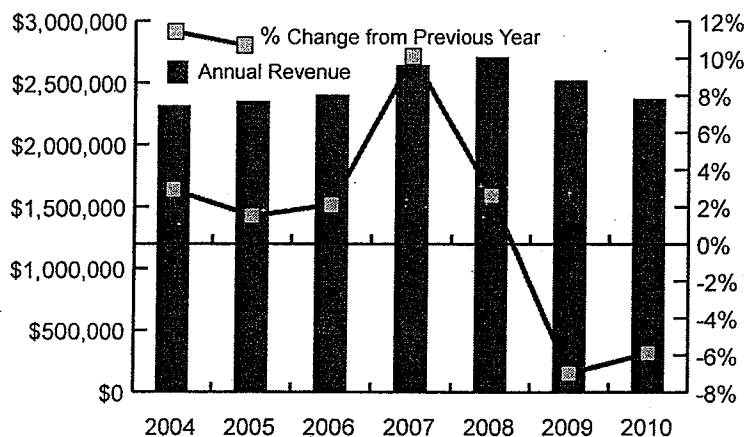
Projected 2010 sales tax revenue has been reduced by \$178,949 or 2.9%. With that change year-to-date revenue is \$28,277 or 1.2% below projections. When compared with the original budget, sales tax revenue of \$2,367,205 is \$142,025 or 5.7% below projected revenue of \$2,509,230.

The negative variance is due primarily to one factor: less than expected revenue from construction related activity which continues to struggle during the current economic recession. In comparison to December through April 2009, construction related sales tax revenue has decreased by \$217,802 or 48.8%. Helping to offset this decrease is the retail sales sector which is trending ahead of same period comparisons by \$38,481 or 2.6%.

Although the construction variance from the previous year is negative we are anticipating that at the very least construction related sales tax revenue will not decline from its current baseline and since construction sales tax began to decline in June of 2009 the revenue variance should begin to flatten out during the remainder of 2010.

The second quarter reporting period includes data for December 2009 through April of 2010.

Annual Sales Tax Revenue Comparison

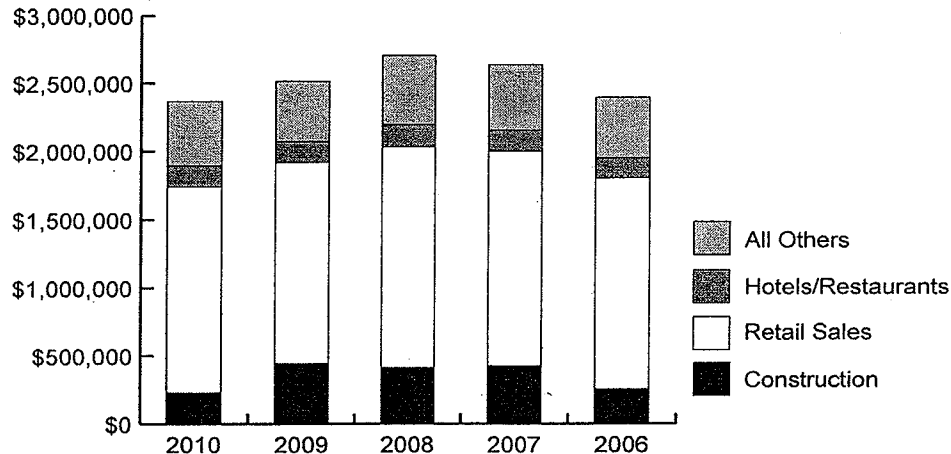


Annual Sales Tax Revenue

Year	Revenue: December through April	% Change from Previous Year
2004	\$2,310,734	2.9%
2005	\$2,345,268	1.5%
2006	\$2,394,883	2.1%
2007	\$2,637,769	10.1%
2008	\$2,705,090	2.6%
2009	\$2,514,978	-7.0%
2010	\$2,367,205	-5.9%

GENERAL FUND REVENUE ANALYSIS (continued):

SALES TAX BY CATEGORY

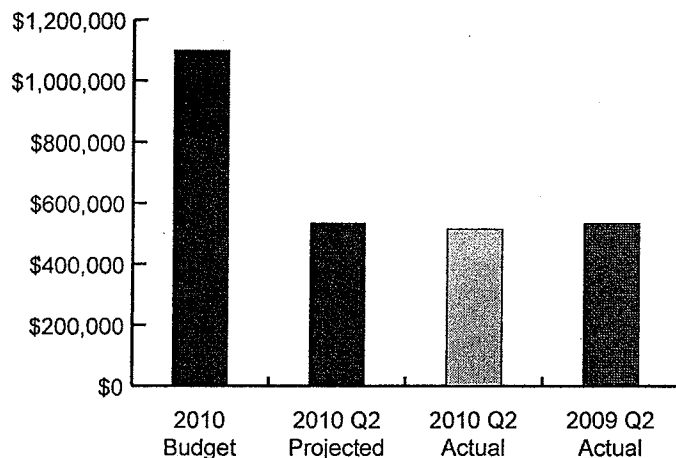


SECTOR	2010 2nd Quarter	2009 2nd Quarter	2008 2nd Quarter	2007 2nd Quarter	2006 2nd Quarter
Construction	\$227,991	\$445,793	\$411,961	\$425,820	\$253,467
Retail Sales	\$1,514,034	\$1,475,553	\$1,620,466	\$1,573,729	\$1,551,573
Hotel/Restaurant	\$152,470	\$149,307	\$160,092	\$154,804	\$145,015
All Others	\$472,710	\$444,325	\$512,571	\$483,416	\$444,828
Total	\$2,367,205	\$2,514,978	\$2,705,090	\$2,637,769	\$2,394,883
\$ Variance to previous year	-\$147,773	-\$190,112	\$67,321	\$242,886	\$49,615
% Variance to previous year	-5.9%	-7.0%	2.6%	10.1%	2.1%

SALES TAX BY CATEGORY							
Retail Trade	2010 Dec-April	2009 Dec-April	2010 v. 2009 \$ Variance	2008 Dec-April	2009 v. 2008 \$ Variance	2007 Dec-April	2008 v. 2007 \$ Variance
Motor Vehicle & Parts Dealer	\$337,495	\$320,791	\$16,704	\$371,592	-\$50,801	\$330,748	\$40,844
Furniture & Home Furnishings	\$19,897	\$13,020	\$6,877	\$12,500	\$520	\$14,143	-\$1,643
Electronics & Appliances	\$26,661	\$23,629	\$3,032	\$43,068	-\$19,439	\$38,680	\$4,388
Building Materials & Garden	\$217,728	\$202,015	\$15,713	\$269,531	-\$67,516	\$283,527	-\$13,996
Food & Beverage Stores	\$105,806	\$117,150	-\$11,344	\$119,046	-\$1,896	\$104,639	\$14,407
Health & Personal Care Store	\$52,796	\$52,130	\$666	\$51,743	\$387	\$53,874	-\$2,131
Gasoline Stations	\$26,358	\$25,369	\$989	\$23,382	\$1,987	\$24,206	-\$824
Clothing & Accessories	\$11,140	\$10,175	\$965	\$8,286	\$1,889	\$8,714	-\$428
Sporting Goods, Hobby, Books	\$37,945	\$41,008	-\$3,063	\$43,167	-\$2,159	\$42,861	\$306
General Merchandise Stores	\$540,159	\$531,124	\$9,035	\$555,369	-\$24,245	\$549,978	\$5,391
Miscellaneous Store Retailers	\$100,581	\$107,326	-\$6,745	\$97,003	\$10,323	\$98,718	-\$1,715
Nonstore Retailers	\$37,468	\$31,816	\$5,652	\$25,779	\$6,037	\$23,641	\$2,138
Total Revenue	\$1,514,034	\$1,475,553	\$38,481	\$1,620,466	-\$144,913	\$1,573,729	\$46,737

GENERAL FUND REVENUE ANALYSIS (continued):

LOCAL CRIMINAL JUSTICE SALES TAX

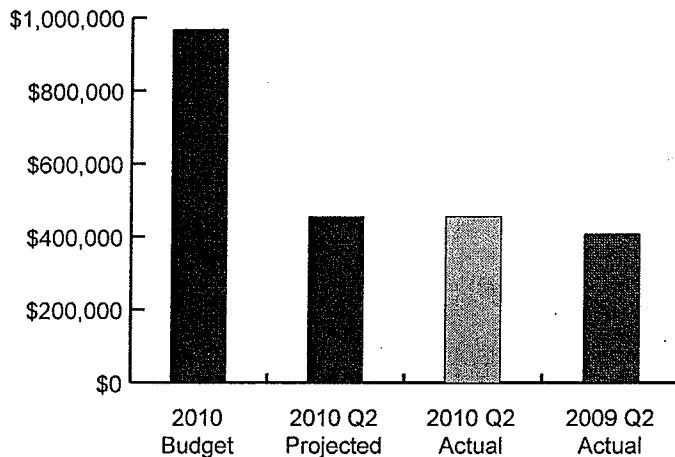


2010 Budget	\$1,100,000
2010 Projected	\$1,069,200
2010 2nd Quarter Projected	\$534,172
2010 2nd Quarter Actual	\$515,359
2nd Quarter \$ Variance	-\$18,813
2nd Quarter % Variance	-3.5%
2009 2nd Quarter Actual	\$533,505
% Change from 2009 2nd Quarter	-3.4%

Projected revenue for 2010 has been lowered from \$1,100,000 to \$1,069,200, a decrease of \$30,800 or 2.8%. Through June this category is below lowered projections by \$18,813 or 3.5%. It is also below collections for the same period in 2009 by \$18,146 or 3.5%. As sales tax collections in Shoreline have been adversely affected by the recession so have collections in the rest of King County. Local criminal justice sales tax differs from retail sales tax in that the distribution is based on a city's population and the amount of sales tax collected through all of King County.

GENERAL FUND REVENUE ANALYSIS (continued):

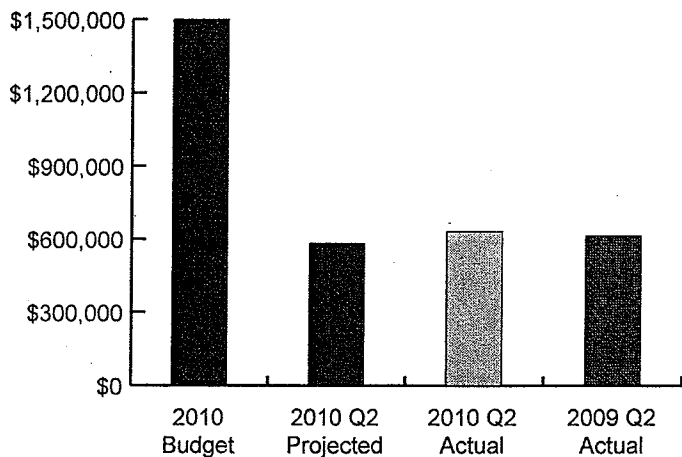
INTERGOVERNMENTAL REVENUE



2010 Budget	\$1,210,133
2010 2nd Quarter Projected	\$454,519
2010 2nd Quarter Actual	\$455,454
2nd Quarter \$ Variance	\$935
2nd Quarter % Variance	0.21%
2009 2nd Quarter Actual	\$408,021
% Change from 2009 2nd Quarter	11.6%

State Revenues are comprised primarily of funding for criminal justice programs, liquor excise tax, and liquor board profits. In 2010 actual second quarter revenue of \$455,454 is just over projected revenue by \$935 or 0.21%, but is above collections for the same period of 2009 by \$47,433 or 11.6%.

SEATTLE CITY LIGHT CONTRACT PAYMENT

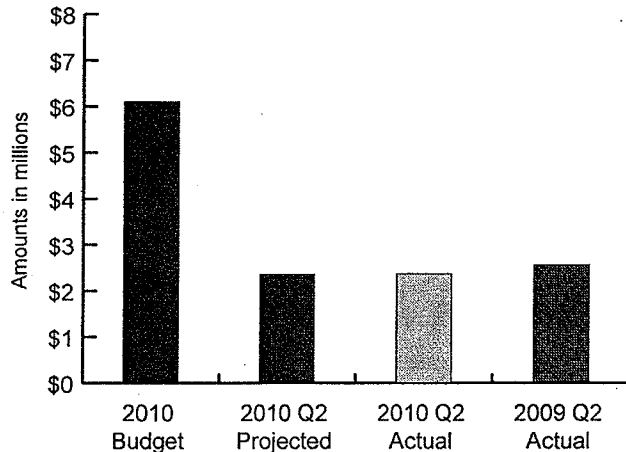


2010 Budget	\$1,500,000
2010 2nd Quarter Projected	\$581,475
2010 2nd Quarter Actual	\$630,875
2nd Quarter \$ Variance	\$49,400
2nd Quarter % Variance	8.5%
2009 2nd Quarter Actual	\$613,098
% Change from 2009 2nd Quarter	2.9%

Contract revenue from Seattle City Light totaling \$630,875 is \$49,400 or 8.5% ahead of projected revenue of \$581,475. This increase is due primarily to a Seattle City Light rate increase of 13.8% which became effective January 1, 2010. We are leaving this projected revenue unchanged at this time as weather plays a big part in electrical usage. Given the cool spring and summer, electrical usage could decline minimizing the effect of the rate increase.

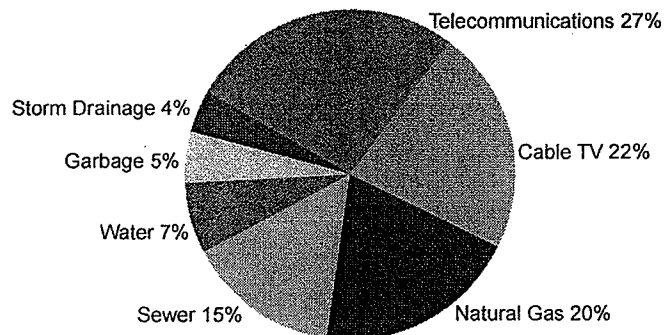
GENERAL FUND REVENUE ANALYSIS (continued):

UTILITY TAX AND FRANCHISE FEE



2010 Budget	\$6,101,410
2010 2nd Quarter Projected	\$2,354,105
2010 2nd Quarter Actual	\$2,362,535
2nd Quarter \$ Variance	\$8,430
2nd Quarter % Variance	0.36%
2009 2nd Quarter Actual	\$2,560,161
% Change from 2009 2nd Quarter	-7.7%

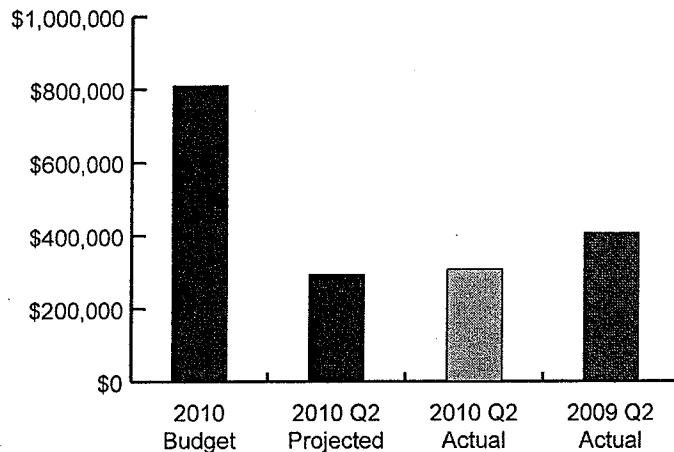
Utility tax and franchise fee revenue of \$2,362,535 is just slightly above projected revenue by \$8,430 or 0.36%. At this time we expect revenues from this category to come in right at budget.



Revenue Source	2010 Budget	2010 Projected Revenue	2010 Q2 Projected Revenue	2010 Q2 Actual Revenue	\$ Variance Actual v. Projected	% Variance Actual v. Projected	2009 Q2 Actual Revenue	% of Utility Revenue Total
Natural gas	\$850,530	\$850,530	\$517,675	\$466,797	-\$50,878	-9.8%	\$699,040	20%
Garbage	\$475,000	\$475,000	\$114,000	\$124,168	\$10,168	8.9%	\$124,391	5%
Cable TV	\$1,433,000	\$1,433,000	\$480,223	\$509,492	\$29,269	6.1%	\$487,854	22%
Telecommunications	\$1,800,000	\$1,800,000	\$639,000	\$627,859	-\$11,141	-1.7%	\$640,030	27%
Storm Drainage	\$191,000	\$191,000	\$100,504	\$101,261	\$757	0.8%	\$102,224	4%
Water	\$635,000	\$635,000	\$145,733	\$174,458	\$28,726	19.7%	\$158,622	7%
Sewer	\$716,880	\$716,880	\$356,970	\$358,500	\$1,530	0.4%	\$348,000	15%
Utility Tax and Franchise Fee Revenue Subtotal	\$6,101,410	\$6,101,410	\$2,354,105	\$2,362,535	\$8,430	0.36%	\$2,560,161	100%

GENERAL FUND REVENUE ANALYSIS (continued):

DEVELOPMENT REVENUE



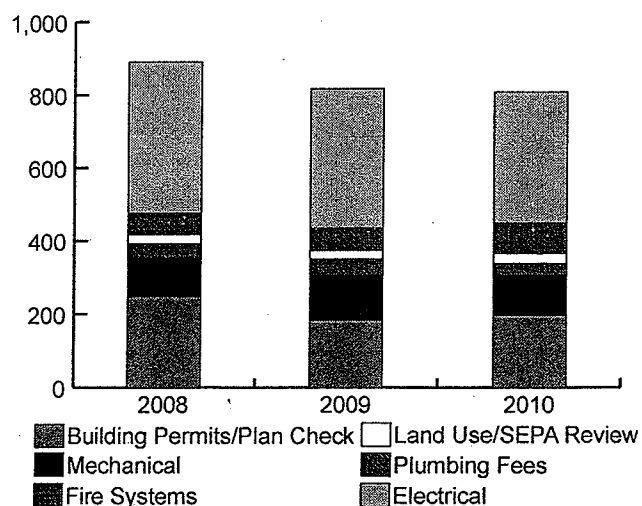
2010 Budget	\$811,000
2010 Projected	\$548,529
2010 2nd Quarter Projected	\$293,051
2010 2nd Quarter Actual	\$307,500
2nd Quarter \$ Variance	\$14,449
2nd Quarter % Variance	4.9%
2009 2nd Quarter Actual	\$406,810
% Change from 2009 2nd Quarter	-24.4%

As a result of the continued slowdown in development and construction activity, 2010 development revenue has been reduced by \$262,471 or 32.4% from \$811,000 to \$548,529. Second quarter 2010 actual revenue totaled \$14,449 or 4.9% ahead of lowered projections.

Second quarter permit activity is down slightly from 2009 by 10 permits or 1.2% due to decreases in mechanical, fire system and electrical permits. It is interesting to note that building permit and plan checks increased from 2009 by 12 or 6.6% but the corresponding revenue dropped by \$52,637 or 20.8% an indication that the types of projects currently under construction are smaller in scope. Building activity continues to struggle due to the economic recession and will be monitored closely to see if revenue projections need to be further lowered.

PERMITS BY TYPE

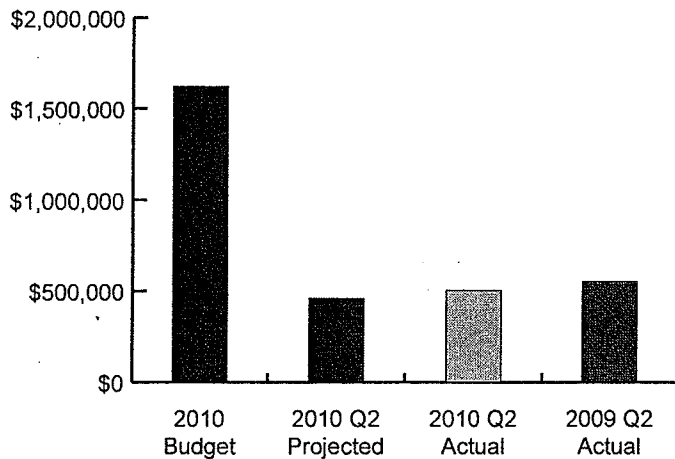
January through June 2008–2010



PERMIT TYPE	2008	2009	2010
Building Permits/Plan Check	247	183	195
Mechanical	106	122	111
Fire Systems	39	46	32
Land Use/SEPA Review	25	23	27
Plumbing	58	62	83
Electrical	416	381	359
Total	891	817	807

GENERAL FUND REVENUE ANALYSIS (continued):

GAMBLING TAX REVENUE



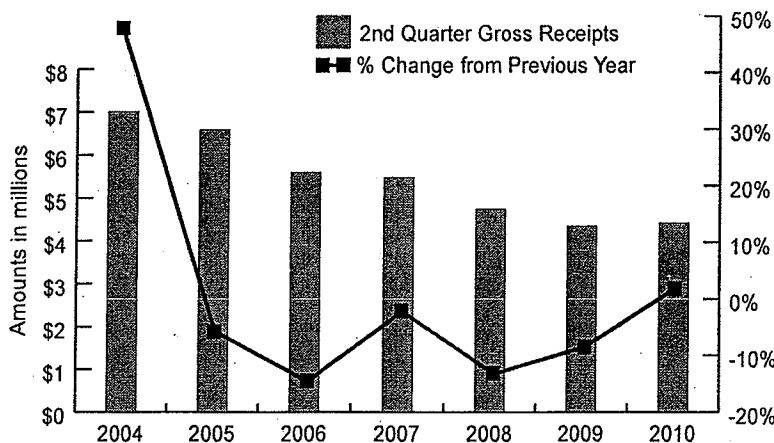
2010 Budget	\$1,620,200
2010 2nd Quarter Projected	\$459,994
2010 2nd Quarter Actual	\$504,394
2nd Quarter \$ Variance	\$44,400
2nd Quarter % Variance	9.7%
2009 2nd Quarter Actual	\$553,107
% Change from 2009 2nd Quarter	-9.7%

Second quarter gambling revenue came in at \$504,394 which is \$44,400 or 9.7% ahead of projected revenue of \$459,994. The primary reason for the increase is that \$38,000 of 2009 revenue was received in 2010. However a small portion of the revenue increase is due to a small uptick in card room gross receipts which finished ahead of 2009 second quarter by \$75,969 or 1.8% which equates to a small \$7,597 increase in card room tax revenue. This marks the first time since 2004 that card room receipts finished ahead of the previous year during the second quarter.

It is worth noting that during second quarter, two Shoreline mini-casinos closed: Debbie's Drift on Inn and the Golden Nugget. Both accounted for roughly 20% of annual gambling tax revenue. It remains to be seen how the other operating gambling establishments are affected.

Please note that second quarter gambling revenue includes only the first quarter activity due the fact that second quarter tax returns are not due until July 30.

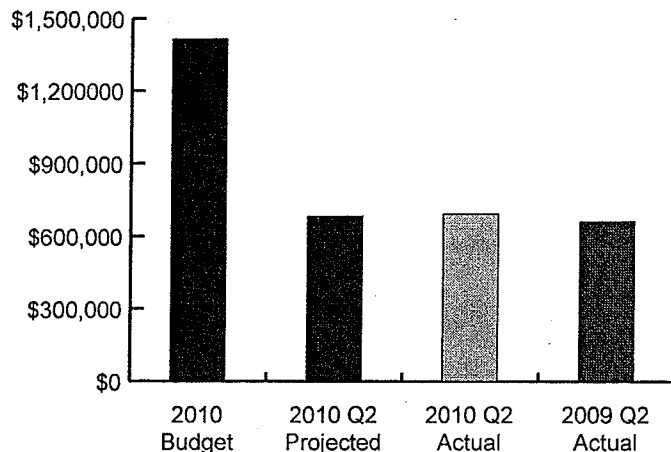
CARD ROOM RECEIPTS - Second Quarter 2004-2010



Card Room Gross Receipts Second Quarter 2004-2010		
Year		% Change from Previous Year
2004	\$7,008,825	48.1%
2005	\$6,587,011	-6.0%
2006	\$5,596,446	-15.0%
2007	\$5,475,339	-2.2%
2009	\$4,737,431	-13.5%
2009	\$4,335,807	-8.5%
2010	\$4,411,776	1.8%

GENERAL FUND REVENUE ANALYSIS (continued):

PARK AND RECREATION REVENUE



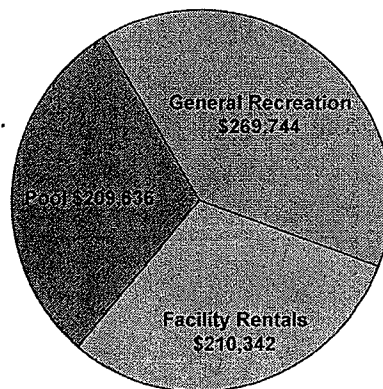
2010 Budget	\$1,417,001
2010 2nd Quarter Projected	\$684,839
2010 2nd Quarter Actual	\$694,434
2nd Quarter \$ Variance	\$9,595
2nd Quarter % Variance	1.4%
2009 2nd Quarter Actual	\$663,559
% Change from 2009 2nd Quarter	4.7%

Park and Recreation revenue of \$694,434 is just slightly ahead of projected revenue by \$9,595 or 1.4%. It is anticipated that Park and Recreation revenue will meet projections.

RECREATION REVENUE BY PROGRAM

Revenue by Program: January through June 2004-2010				
	Pool	General Recreation*	Facility Rentals	Total Revenue
2004	\$184,016	\$173,654	\$82,042	\$439,712
2005	\$205,126	\$243,527	\$93,844	\$542,497
2006	\$209,183	\$325,732	\$103,238	\$638,153
2007	\$196,133	\$209,934	\$160,620	\$566,687
2008	\$222,352	\$235,679	\$159,599	\$617,630
2009	\$212,571	\$218,921	\$211,292	\$642,784
2010	\$209,636	\$269,744	\$210,342	\$689,722

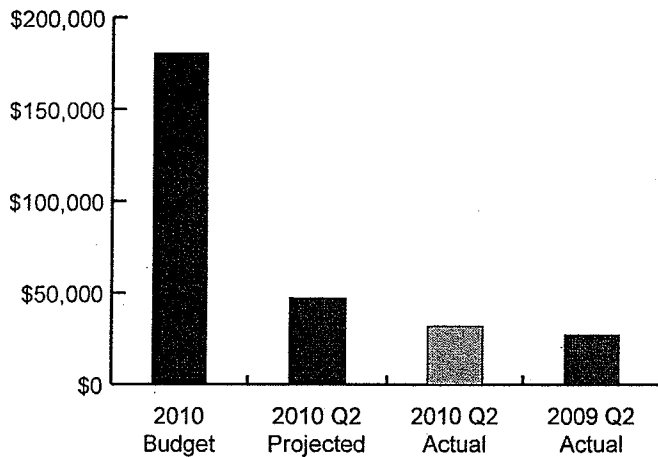
Total Revenue \$689,722



*Excludes non-program revenue such as cell tower rental fees and special event sponsorships.

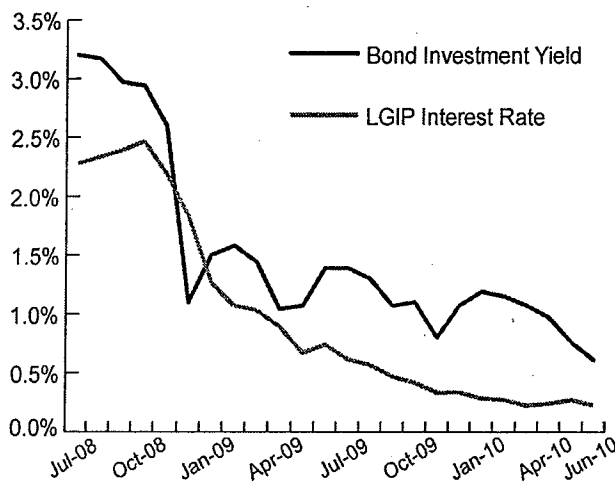
GENERAL FUND REVENUE ANALYSIS (continued):

INVESTMENT INCOME



2010 Budget	\$180,500
2010 2nd Quarter Projected	\$47,279
2010 2nd Quarter Actual	\$31,860
2nd Quarter \$ Variance	-\$15,419
2nd Quarter % Variance	-32.6%
2009 2nd Quarter Actual	\$27,284
% Change from 2009 2nd Quarter	16.8%

Investment earnings through June totaled \$31,860 and fell below projections by \$15,419 or 32.6%. This is the result of investment rates that are less than 1%.

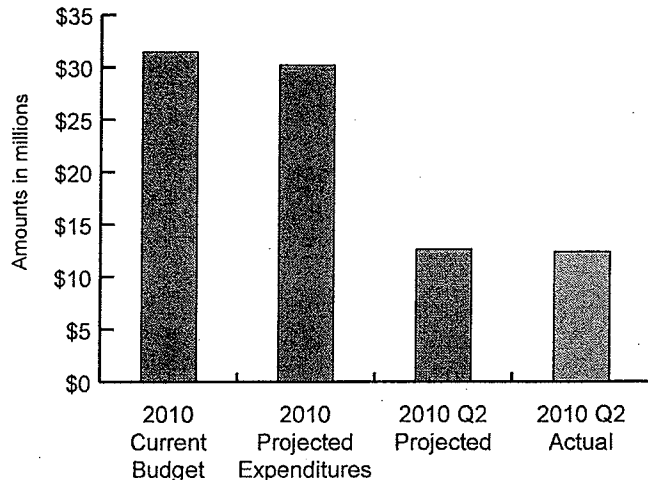


Month	LGIP Interest Rate*	Bond Investment Yield
Jul-09	2.2758%	3.2000%
Aug-09	2.3328%	3.1700%
Sep-09	2.3892%	2.9700%
Oct-09	2.4652%	2.9400%
Nov-09	2.1903%	2.6000%
Dec-09	1.8183%	1.1000%
Jan-09	1.2669%	1.5000%
Feb-09	1.0689%	1.5800%
Mar-09	1.0301%	1.4400%
Apr-09	0.8905%	1.0400%
May-09	0.6678%	1.0700%
Jun-09	0.7396%	1.3900%
Jul-09	0.6157%	1.3900%
Aug-09	0.5686%	1.3000%
Sep-09	0.4703%	1.0700%
Oct-09	0.4164%	1.1000%
Nov-09	0.3327%	0.8000%
Dec-09	0.3347%	1.0700%
Jan-10	0.2864%	1.1900%
Feb-10	0.2723%	1.1500%
Mar-10	0.2245%	1.0700%
Apr-10	0.2395%	0.9700%
May-10	0.2709%	0.7600%
Jun-10	0.2245%	0.6100%
Average	0.9747%	1.6257%

*Local Government Investment Pool

EXPENDITURE ANALYSIS:

GENERAL FUND EXPENDITURES



Departmental expenditures during the first half of 2010 were \$11,312,195, under projected expenditures of \$11,569,141 by \$256,946 or 2.2%. Most of this under-expenditure is in the Parks, Planning and Development Services and Public Works departments. Parks is under projections due to savings from irrigated water usage and from lower sewer billings that resulted from an internal audit that corrected erroneous sewer billings. Planning and development services is under projections due to timing of professional service contracts and salary costs that have been moved to the Capital funds to account for work supporting the City's CIP program. Public Works is under projections as a result of utility savings for City Hall.

Finance is \$45,877 or 1.6% over projections which are the result of the purchase of the office suite upgrade for all city computers. This project is fully budgeted for 2010, but expenditures occurred earlier in the year than historical trends.

Criminal Justice is the only department that has experienced cost pressures resulting in costs exceeding projections. Specifically Jail costs have increased dramatically over 2009 and over budgeted levels due to a 54% increase in the number of jail days used by Shoreline inmates and 40% increase in the amount of Shoreline misdemeanants booked into jail. These two factors have increased jail cost by an estimated \$499,500, for a total estimated 2010 cost of \$1,650,000. The City is studying the causes of the jail increases and looking for remedies to reduce these costs if possible.

Community Services is showing projected costs exceeding budget which is the result of the City performing work to upgrade the Emergency Operations Center, this project is grant funded so there is no impact on the general fund. This budget will be amended in September to add this project along with the off-setting grant revenue.

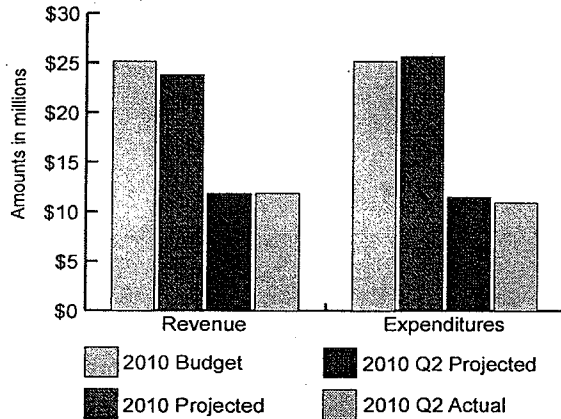
Department	2010 Current Budget	2010 Projected	2010 Q2 Projected	2010 Q2 Actual	\$ Variance	% Variance	2009 Q2 Actual
City Council	\$169,887	\$166,754	\$87,046	\$96,825	\$9,779	5.9%	\$85,893
City Manager's Office ¹	\$1,481,269	\$1,368,438	\$660,956	\$637,653	-\$23,303	-1.7%	\$674,523
City Clerk	\$396,354	\$362,289	\$183,681	\$158,031	-\$25,650	-7.1%	\$220,413
City Attorney	\$564,495	\$513,065	\$233,958	\$220,590	-\$13,368	-2.6%	\$232,549
Community Services ²	\$1,377,845	\$1,529,535	\$636,564	\$598,816	-\$37,748	-2.5%	\$732,888
Finance/IS	\$2,820,480	\$2,794,188	\$1,293,709	\$1,339,596	\$45,887	1.6%	\$1,278,867
Citywide	\$2,190,603	\$803,441	\$787,372	\$786,435	-\$937	-0.1%	\$728,573
Human Resources	\$396,144	\$393,599	\$190,502	\$172,388	-\$18,114	-4.6%	\$200,068
Police	\$9,859,486	\$9,815,689	\$3,268,624	\$3,288,136	\$19,512	0.2%	\$87,170
Criminal Justice	\$1,773,965	\$2,232,700	\$607,294	\$662,478	\$55,184	2.5%	\$399,181
Parks	\$4,382,955	\$4,288,907	\$1,792,763	\$1,729,083	-\$63,680	-1.5%	\$1,764,574
Planning and Development Services	\$2,604,493	\$2,585,304	\$1,266,799	\$1,134,806	-\$131,993	-5.1%	\$1,311,598
Public Works	\$1,336,532	\$1,233,202	\$559,874	\$487,358	-\$72,516	-5.9%	\$569,203
Department Totals	\$29,354,508	\$28,087,111	\$11,569,141	\$11,312,195	-\$256,946	-2.2%	\$8,285,500
General Transfers Out	\$2,094,954	\$2,094,954	\$1,043,888	\$1,043,888	\$0	0.0%	\$1,168,679
General Fund Total	\$31,449,462	\$30,182,065	\$12,613,029	\$12,356,083	-\$256,946	-2.0%	\$9,454,179

¹ City Manager includes Economic Development, Communications & Intergovernmental Relations

² Community Services includes Emergency Management Planning, Neighborhoods, Human Services and CRT

OTHER FUNDS REVENUE ANALYSIS:

STREET FUND

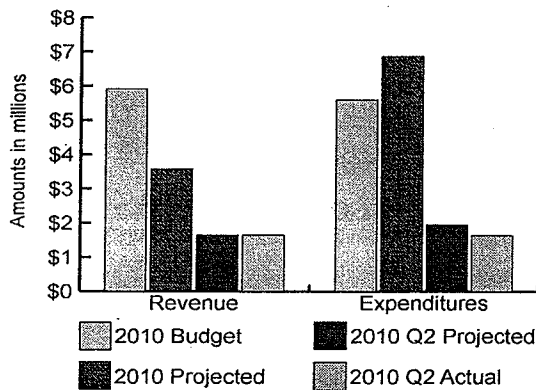


Street Fund		
	Revenue	Expenditures
2010 Budget	\$2,515,181	\$2,515,181
2010 Projected	\$2,376,863	\$2,565,906
2010 Q2 Projected	\$1,180,334	\$1,147,394
2010 Q2 Actual	\$1,186,133	\$1,092,449
\$ Variance	\$5,799	-\$54,945
% Variance	0.5%	-4.79%

First half 2010 revenue collections of \$1,186,133 are just \$5,799 or 0.5% ahead of projected revenue. Fuel tax collections are \$9,733 or 1.8% ahead of lowered projections which is the primary reason that overall revenues are ahead of projections. Projections were lowered based upon State estimates. Interest revenue is down by \$5,692 or 82% from projections. Projected interest earnings may need to be lowered as interest rates continue to fall.

Actual first half expenditures of \$1,092,449 are \$54,945 or 4.79% below projected expenditures of \$1,147,394. Expenditure activity is expected to increase during the third quarter. Extra help staff is now on board to assist with paving and other projects. Irrigation will begin in July.

SURFACE WATER UTILITY FUND



Surface Water Utility Fund		
	Revenue	Expenditures
2010 Budget	\$5,902,528	\$5,591,530
2010 Projected	\$3,579,161	\$6,859,563
2010 Q2 Projected	\$1,645,729	\$1,950,283
2010 Q2 Actual	\$1,647,312	\$1,635,288
\$ Variance	\$1,583	-\$314,995
% Variance	0.10%	-16.15%

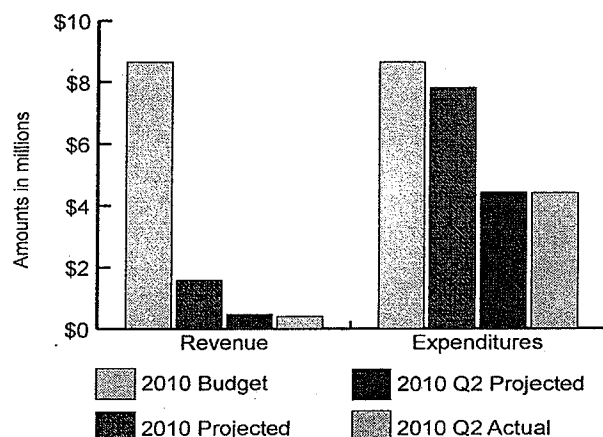
The Surface Water Utility Fund (SWM) includes both on-going operational programs and capital projects and both are reflected in the total expenditures and revenues.

Second quarter 2010 actual revenues of \$1,647,312 are just \$1,583 or 0.10% higher than projected revenue. SWM on-going revenues include storm drainage fees and investment interest earnings. Storm water drainage fees through the first half of 2010 totaled \$1,619,001 which is \$2,623 or 0.16% below projections. Investment interest earnings totaled \$8,129 and were \$8,081 or 49.9% under projections. The fund also received \$12,287 in insurance recovery payments that were unbudgeted. Revenue projections for 2010 reflect those included in the Adopted 2011-2016 Capital Improvement Plan (CIP), but do not include any use of fund balance. The adopted budget includes the use of over \$2.45 million for capital expenditures.

Second quarter 2010 actual SWM expenditures totaled \$1,635,288. This is \$314,995 or 16.15% under projected expenditures. Most of this variance is due to the timing of capital projects. Projected expenditures have also been adjusted to reflect those projected in the adopted CIP. As a result, projections exceed the current budget and will be adjusted with a budget amendment in September 2010.

OTHER FUNDS REVENUE ANALYSIS (continued):

GENERAL CAPITAL FUND



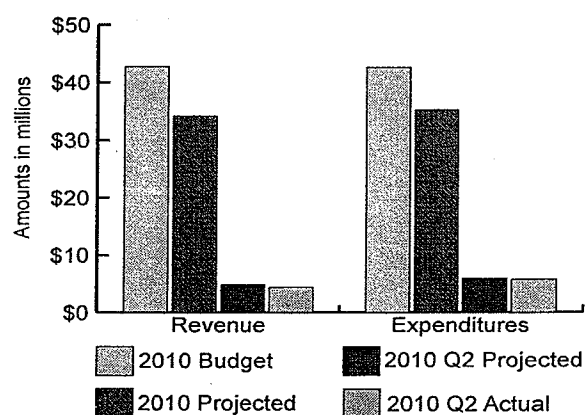
General Capital Fund

	Revenue	Expenditures
2010 Budget	\$8,644,081	\$8,644,081
2010 Projected	\$1,581,566	\$7,804,215
2010 2Q Projected	\$468,046	\$4,437,278
2010 2Q Actual	\$396,487	\$4,405,359
\$ Variance	-\$71,559	-\$31,919
% Variance	-15.3%	-0.7%

Second quarter 2010 actual revenues for this fund totaled \$396,487 which was \$71,559 or 15.3% under projections as a result of the following: Real Estate Excise Tax (REET) totaled \$245,051 which was \$19,835 or 7.5% below projections, and investment earnings totaled \$10,795 which is \$55,226 or 84% below projections. Second quarter 2010 revenue projections reflect those included in the Adopted 2011-2016 Capital Improvement Plan (CIP), but do not include any use of fund balance. The 2010 current budget includes the planned use of over \$6.4 million of fund balance.

Expenditures during the first half of 2010 totaled \$4,405,359 which is \$31,919 or 0.7% below projected expenditures. Projected expenditures have also been adjusted to reflect the CIP.

ROADS CAPITAL FUND



Roads Capital Fund

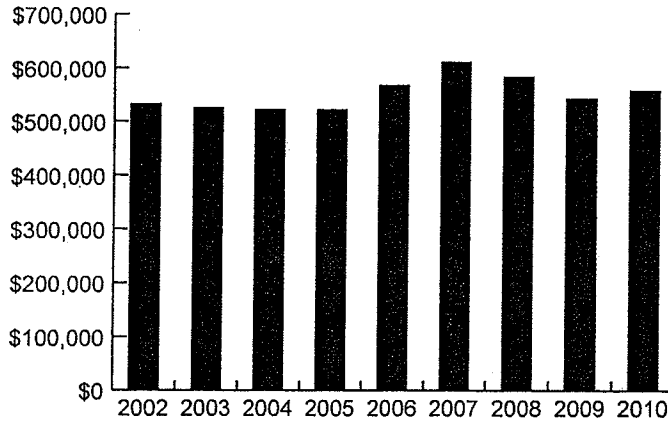
	Revenue	Expenditures
2010 Budget	\$42,683,901	\$42,544,986
2010 Projected	\$34,127,551	\$35,217,294
2010 2Q Projected	\$4,864,882	\$5,938,841
2010 2Q Actual	\$4,378,322	\$5,694,141
\$ Variance	-\$486,560	-\$244,700
% Variance	-10.0%	-4.1%

Revenues during the first half of 2010 totaled \$4,378,322 which was below projected revenues of \$4,864,882 by \$486,560 or 10.0%. Most of this variance is due to timing of grant funding and payment related to construction schedules. Several roads capital revenues are struggling during the current economic recession. Real Estate Excise Tax (REET), like the general capital fund, is behind projections by \$19,835 or 7.5%. Interest revenue is below projections by \$45,289 or 84%. Revenue projections for 2010 reflect those included in the Adopted 2011-2016 Capital Improvement Plan (CIP), but do not include any use of fund balance. The adopted budget includes the use of over \$2.95 million.

Expenditures during the first half of 2010 totaled \$5,694,141 which is \$244,700 or 4.1% below projected expenditures of \$5,938,141. Expenditures are impacted by the timing of construction schedules. By the end of the year we expect expenditures to be on target. Projected expenditures have also been adjusted to reflect the CIP.

NON-GENERAL FUND REVENUE ANALYSIS:

STREET FUND FUEL TAX

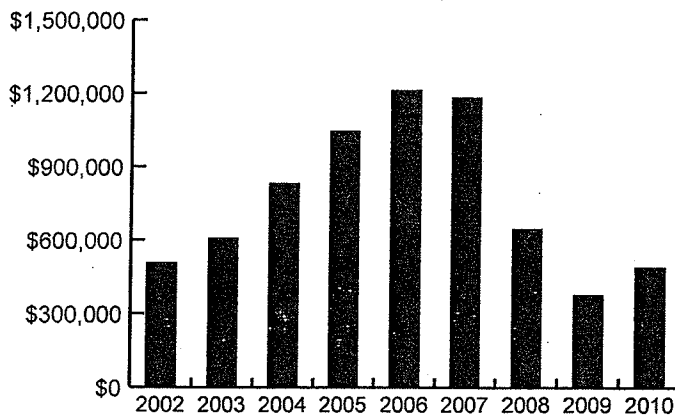


Fuel Tax: Historical Second Quarter Comparison - Street Fund

2002	\$532,728
2003	\$525,826
2004	\$522,751
2005	\$522,371
2006	\$567,577
2007	\$611,951
2008	\$584,780
2009	\$543,744
2010	\$558,745

This tax is assessed on a per gallon basis; therefore it is dependent upon consumption. As prices rise and as people try to reduce their consumption, the amount of tax received declines. Second quarter actual fuel tax revenue totaled \$558,745 which is \$9,733 or 1.8% above projected revenue. This level is up from 2009 by \$15,001 or 2.8%, but is still below levels received during 2006 through 2008 period.

REAL ESTATE EXCISE TAX (REET)



REET: Annual First Half Collected for 2002-2010

2002	\$506,242
2003	\$607,366
2004	\$831,504
2005	\$1,044,946
2006	\$1,211,482
2007	\$1,181,604
2008	\$646,678
2009	\$376,842
2010	\$490,104

Second quarter 2010 REET collections of \$490,104 are \$39,668 or 7.5% under projected revenue of \$529,772. 2010 projected revenue of \$1.1 million is \$141,388 or 14% more than 2009 actual collections of \$ 958,612. The number and value of the real estate transaction is improved compared to 2009: the number of sales is up by 69 or 31.1% and the value of those transactions is higher by \$22.61 million or 28.7%. Although this is the case we anticipate that the projections for 2010 will need to be lowered.

INVESTMENT REPORT June 30, 2010:

The City's investment policy adheres to strict standards prescribed by federal law, state statutes, local ordinances, and allows the City to develop an investment model to maximize its investment returns within the primary objectives of safety and liquidity.

Our yield objectives are very important and, pursuant to policy, the basis used by the City to determine whether the market yields are being achieved is through the use of a comparable benchmark. Our benchmark has been identified as the annual average of the Washington State Local Government Investment Pool, which had been the City's primary mode of investment prior to adopting our Investment Policy. As of June 30, 2010, the City's investment portfolio, excluding the State Investment Pool, had a weighted average rate of return of 1.1513%. This is better than the State Investment Pool twelve month average of 0.3547%. Total investment interest earnings for the first half of 2010 were \$62,975 which was below projections.

During 2007 investment interest rates began to decline. The average yield on a two year government agency bonds was 5.34% in January 2007. At the end of 2008 this rate was down to 1.1%. By the end of June 2009 the rate was 1.39% and continued to fall to 1.07% at the end of 2009. This decline has continued during the second quarter of 2010. The current average rate for two year government agency bonds is 0.61%.

As of June 30, 2010 the City's investment portfolio had a fair value of nearly \$28.44 million. Approximately 15% of the investment portfolio was held in U.S. government instrumentality securities, 3% in Certificates of Deposit and 83% was held in the Washington State Investment Pool. The City's investment portfolio valued at cost as of June 30, 2010, was nearly \$28.45 million. The difference between the cost and the market value of the portfolio represents either the loss or the gain of the portfolio if the City were to liquidate investments as of the day that the market value is stated. This would only be done if the City needed to generate cash. The City holds all of its investments until the scheduled maturity date, and therefore when the investments mature the principal market value should equal the cost of the investment. The City also holds sufficient investments within the State Pool to allow for immediate cash liquidation if needed. Investments within the State Pool can be liquidated on any given day with no penalty.

The City continued to implement a ladder philosophy in its investment portfolio over the last year. This resulted in the City being able to hold some securities at a higher interest rate during the declining interest rate environment. For example an instrument purchased in February 2008 is yielding 2.836% and will not mature until 9/13/2010. This is well above the average rate of return from the State Pool over the same period. A ladder portfolio approach helps assure that the City will, in the long run, receive a market average rate of return.

One of the major investment instruments used in the United States and throughout the rest of the world is "mortgage-backed securities". Mortgage-backed securities are mortgages that have been sold by banks to investment banks or federally sponsored agencies such as Federal National Mortgage Association (FNMA – Fannie Mae) or Federal Home Loan Mortgage Corporation (FHLMC – Freddie Mac), who then rebundle the mortgages and sell them to individual investors or investors in the stock market. Mortgage-backed securities can be a fairly safe investment, if there is little risk that the mortgage borrower will default on the loan, or they can be risky investments if there is a higher risk that the borrower will default, such as the case in sub-prime mortgages. The City has purchased and currently has mortgage backed securities in its investment portfolio. These instruments have been purchased from FNMA, FHLMC, and the Federal Home Loan Bank (FHLB).

INVESTMENT REPORT (continued):

LGIP Cash and Investment Balances June 30, 2010

Instrument Type	CUSPID #	BROKER	Settlement Date	Maturity Date	Investment Cost	Yield To Maturity	Market Value 6/30/09
FNMA (Fannie Mae)	31398AGU0	Bank of America	2/27/2008	09/13/10	1,037,470	2.8360%	1,008,438
Certificate of Deposit	379007297	Shoreline Bank	10/20/09	10/20/10	250,000	1.9000%	250,000
FHLMC	3128X9KQ2	US Bank	11/10/09	10/10/11	1,100,000	1.2000%	1,102,258
Certificate of Deposit	60146	Fortune Bank	10/20/09	10/20/11	250,000	2.0000%	250,000
Certificate of Deposit	5980004958	Cascade Bank	11/06/09	11/06/11	235,000	2.2500%	235,000
FNMA (Fannie Mae)	3136FMJS4	Multi-Bank Security	04/13/10	04/13/12	2,000,000	1.2500%	2,013,120
Certificate of Deposit	31398AHS4	Key Bank	12/17/08	02/17/10	2,000,000	3.3000%	2,000,000
State Investment Pool					23,580,762	0.3014%	23,580,762
Sub Total					28,453,232		28,439,578

Average Maturity Excluding the State Investment Pool (days) 697

Weighted Average Yield to Maturity Excluding the State Pool 1.1513%

Average Yield to Maturity State Investment Pool 0.3547%

Basis Points in Excess (Below) Benchmark 80

Note: Yield to Maturity for the State Investment Pool is a 12 month average.

Portfolio Diversification

Instrument Type	Percentage	Amount at Market Value	Amount at Cost	Broker	Percentage	Amount at Cost
Certificate of Deposit	3%	735,000	735,000	Bank of America	4%	1,037,470
FHLMC	4%	1,102,258	1,100,000	Fortune Bank	1%	250,000
FNMA (Fannie Mae)	11%	3,021,558	3,037,470	Shoreline Bank	1%	250,000
				Cascade Bank	1%	235,000
				US Bank	4%	1,100,000
				Multi-Bank Security	7%	2,000,000
State Investment Pool	83%	23,580,762	23,580,762	State Investment Pool	83%	23,580,762
Total Investments	100%	28,439,578	28,453,232	Total Investments	100%	28,453,232

Investments by Fund	Investments at Cost as 6/30/2010	State Investment Pool as of 6/30/2010	Total Investments by Fund as of 6/30/2010	Investment Earnings Budget 2010	Investment Earnings Actual 2010	Over/(Under) Budget
001 General	2,432	5,997,094	5,999,526	160,500	26,993	(133,507)
101 Street	267,373	704,899	972,271	19,516	1,245	(18,271)
107 Code Abatement	3,104	130,002	133,106	2,100	220	(1,880)
108 Asset Seizure	0	4,866	4,866	500	14	(486)
109 Public Arts	5,523	258,629	264,151	1,000	422	(578)
112 Fed Drug Enforcement		20,542	20,542	0	35	35
114 Transportation Benefit District		0	0	0	28	28
190 Revenue Stabilization	2,751,626	2,631,254	5,382,880	0	0	0
201 Unlimited GO Bond	0	112,360	112,360	0	0	0
301 General Capital	287,850	4,520,596	4,808,445	153,537	10,793	(142,744)
312 City Fac.-Mjr. Maint.	4,677	156,120	160,797	5,294	263	(5,031)
330 Roads Capital	248,477	3,445,658	3,694,135	125,345	8,609	(116,736)
401 Surface Water Utility Fund	154,266	4,813,808	4,968,074	32,420	8,129	(24,291)
501 Vehicle Oper./Maint.	0	128,930	128,930	3,500	134	(3,366)
503 Equip. Dep. Replace	1,145,612	609,803	1,755,415	46,000	6,013	(39,987)
505 Unemployment	1,530	46,200	47,731	1,000	77	75
650 Agency Fund Admin	0	0	0	0	0	0
Total Investments	4,872,470	23,580,762	28,453,232	550,712	62,975	(486,738)